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Dept. of Commerce & Insurance
Company Examinations

BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE
OF THE STATE OF TENNESSEE

IN THE MATTER OF:	)	
	)	
	)	**No.: 10-096**
FARMERS MUTUAL FIRE INSURANCE COMPANY	)	
OF SEVIER COUNTY	)	

ORDER ADOPTING EXAMINATION REPORT WITH DIRECTIVES

Pursuant to TENN. CODE ANN. §§ 56-22-101, *et seq.*, the Insurance Division of the State of Tennessee Department of Commerce and Insurance ("Division") has examined certain affairs of Farmers Mutual Fire Insurance Company of Sevier County ("Company"), a county mutual insurance company domiciled in the State of Tennessee. As a result of an examination conducted as of the 31st day of December 2008, the examiner-in-charge filed with the Division, on the 9th day of July 2010, a verified, written report on the examination, and a copy of that report has been sent to Farmers Mutual Fire Insurance Company of Sevier County. (The Report on Examination of Farmers Mutual Fire Insurance Company of Sevier County is attached hereto as Exhibit A). The Division received no written rebuttal to said examination report from the Company.

Pursuant to TENN. CODE ANN. § 56-1-411, said examination report regarding the affairs of Farmers Mutual Fire Insurance Company of Sevier County filed with the Insurance Division of the State of Tennessee Department of Commerce and Insurance on the 9th day of July 2010 is hereby **ADOPTED** as filed with the recommendations that the Company comply with Article V, Section 5 of the Farmers Mutual Fire Insurance Bylaws and that all property capitalizations are to be recorded properly, and with the following **DIRECTIVES:**

1. The Company is **DIRECTED** to implement corrective action for the purpose of

complying with SSAP No. 6, which requires that premium receivables are to be recorded and documented appropriately. TENN. CODE ANN. § 56-22-109; TENN. COMP. R. & REGS. 078-01-78-.04.

2. The Company is **DIRECTED** to implement corrective action for the purpose of complying with SSAP No. 16, PP 3: EDP equipment and software shall be depreciated for a period not to exceed three years using methods detailed in SSAP No. 19-Furniture, Fixtures and Equipment; Leasehold Improvements Paid by the Reporting Entity as Lessee; Depreciation of Property and Amortization of Leasehold Improvements. TENN. CODE ANN. § 56-22-109; TENN. COMP. R. & REGS. 078-01-78-.04.

3. The Company is **DIRECTED** to implement corrective action for the purpose of completing premium taxes correctly in accordance with TENN. CODE ANN. § 56-22-114(b). In addition to the premium taxes levied on county mutual insurance companies under subsection (a), any county mutual insurance company writing fire insurance and lines of business having fire coverage as a part of the risk rate shall pay additional taxes as found in TENN. CODE ANN. § 56-4-208 for the purpose of executing the fire marshal law. For the purposes of subsection (b), the following portions of the amounts required to be reported by line of business in the annual statement required by TENN. CODE ANN. § 56-22-109 shall be considered premiums for insurance covering the peril of fire: (1) Fire lines, one hundred percent (100%); (2) Farmowners and homeowners multiple peril, fifty-five percent (55%); and (3) Combined coverages, including fire, extended coverages, vandalism, malicious mischief and theft, sixty percent (60%).

4. The Company is **DIRECTED** to implement corrective action for the purpose of complying with TENN. CODE ANN. § 56-22-106(b)(1-2) which sets out the requirements a county mutual must meet in order to provide comprehensive personal liability, farmers comprehensive personal liability, premises liability for dwellings up to four families, premises liability for churches and medical payment coverage associated therewith.

The adoption of this examination report shall not preclude the Department from imposing sanctions against Farmers Mutual Fire Insurance Company of Sevier County for potential violations of the Tennessee Insurance Law which may be revealed in the examination report, it being the intent of this Order Adopting Examination Report With Directives merely to adopt the examination report filed by the examiner-in-charge.

It is so **ORDERED**.

ENTERED this the 14th day of January, 2011.

Leslie A. Newman, Commissioner
Department of Commerce and Insurance
State of Tennessee

PREPARED FOR ENTRY:

Sharon K. Hawkins (BPR # 014470)
Assistant General Counsel
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Davy Crockett Tower, Second Floor
Nashville, Tennessee 37243
(615) 253-4701